

Message Text

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ACTION EUR-12

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COME-00 EB-07 FRB-03 INR-07 NSAE-00 EPG-02 SP-02
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E.O.11652: N/A
TAGS: EAID ETRD EEC PK
SUBJECT: EC/PAKISTAN COOPERATION AGREEMENT--INAUGURAL MEETING
HELD IN BRUSSELS

REF: (A) EC BRUSSELS 4551 (B) EC BRUSSELS 4629 (NOTAL)

1. SUMMARY: THE FIRST EC/PAKISTAN JOINT COMMISSION MEETING
REVIEWED TRADE, AID AND COMMERCIAL COOPERATION ISSUES WITHOUT
TAKING ANY SPECIFIC DECISIONS. THE EC PLANS TO INCREASE
MODESTLY ITS AID TO PAKISTAN AND WOULD WELCOME US/AID INFORMAL
SUGGESTIONS REGARDING POSSIBLE PROJECTS WHICH IT MIGHT
FINANCE. END SUMMARY.

2. THE FIRST MEETING OF THE JOINT COMMISSION OF THE RECENT
EC/PAKISTAN COOPERATION AGREEMENT WAS HELD IN BRUSSELS ON
APRIL 28 UNDER THE CHAIRMANSHIP OF GOP STATE SECRETARY FOR
COMMERCE NAIK AND EC DEPUTY DIRECTOR FOR INDUSTRIAL AFFAIRS
LOEFF. COMMISSION AND GOP EMBASSY OFFICIALS TELL US THAT THE
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MEETING FOCUSED ON TRADE, AID AND TECHNICAL COOPERATION ISSUES.
THE GOP COMPLAINED OVER ITS LAGGING TRADE WITH THE EC. IT
NOTED THAT ITS BILATERAL TEXTILE AGREEMENT WITH THE EC WAS
RUNNING INTO DIFFICULTIES. FRENCH AND ITALIAN AUTHORITIES WERE
UNNECESSARILY DELAYING IMPORT CONTRACTS OF PAKISTAN PRODUCTS,
ESPECIALLY COTTON YEAR. IN ADDITION, UK SURVEILLANCE
MEASURES WERE IMPEDING FULL USE OF QUOTAS. THE GOP NOTED THAT

ITS QUOTAS FOR SOME OF THE NINE WERE NOT BEING USED AND ASKED THAT THESE BE SHIFTED TO OTHER MEMBER STATES. THE GOP ALSO REPORTEDLY CALLED FOR ADHERENCE TO THE SPIRIT OF THE MFA AND ITS RENEWAL WITHOUT ADDITIONAL SAFEGUARD PROVISIONS.

3. OUR SOURCES SAY THAT THE GOP ASKED FOR EC TECHNICAL ASSISTANCE IN THE FOLLOWING AREAS: 1) PROMOTION OF PAKISTANI EXPORTS TO THE EC OF BUSMATI LONG-GRAIN RICE; 2) JOINT VENTURES AND TRADE ASSISTANCE TO DEVELOP ITS LEATHER TANNING INDUSTRY; 3) INVESTMENTS, TRANSFERS OF TECHNOLOGY AND DEVELOPMENT OF ENGINEERING SKILLS TO ESTABLISH INDUSTRIES WHICH COULD USE PAKISTAN'S FORTHCOMING STEEL PRODUCTION; 4) INVESTMENTS TO DEVELOP PAKISTAN'S MINERAL DEPOSITS, ESPECIALLY COPPER AND LEAD; AND 5) INFORMATION ON THE EC GSP AND ASSISTANCE IN TRADE PROMOTION IN GENERAL. THE MEETING DECIDED TO ESTABLISH A WORKING GROUP TO REVIEW THESE REQUESTS AND TO SUBMIT PROPOSALS AT THE NEXT JOINT COMMISSION MEETING WHICH IS TENTATIVELY SCHEDULED TO BE HELD IN ISLAMABAD NEAR YEAR END.

4. COMMISSION OFFICIALS ADD THAT THEY ARE TENTATIVELY PLANNING TO PROPOSE A 5 MILLION UNIT OF ACCOUNT (MUA, \$5.6 MILLION) AID PROGRAM FOR PAKISTAN FROM ITS 45 MUA ASSISTANCE FOR NON-ASSOCIATED COUNTRIES IN 1977. LAST YEAR, BECAUSE OF LAST MINUTE COUNCIL APPROVAL OF NON-ASSOCIATED AID, THE EC PRIMARILY JOINED IN FINANCING PROJECTS OF THE IBRD. THIS YEAR, HOWEVER, IT WANTS TO DEVELOP ITS OWN PROJECTS SO THAT ITS AID WILL HAVE A COMMUNITY IDENTIFICATION. THE COMMISSION HAS ASKED THE GOP TO SUGGEST PROJECTS IN THE RURAL DEVELOPMENT AREA. (COMMENT: EC COMMISSION OFFICIALS ADD THAT IF USAID/ISLAMABAD LIMITED OFFICIAL USE

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HAS ANY INFORMAL SUGGESTIONS REGARDING POSSIBLE PROJECTS, IT WOULD BE WILLING TO CONSIDER THEM. END COMMENT.) GOP OFFICIALS HERE ARE NOT IMPRESSED WITH THE EC MODEST AID PROGRAM, BUT THEY HOPE THAT THIS IS A BEGINNING OF WHAT WILL BECOME A SUBSTANTIAL EC CONTRIBUTION. THESE OFFICIALS ARE CRITICAL OF THE STRICT PROCEDURES THE EC HAS ADOPTED FOR CARRYING OUT AID PROJECTS.

5. TURNING TO FOOD AID, THE MEETING DID NOT DISCUSS GOP REQUIREMENTS FOR THIS YEAR. ALONG LINES OF REF B, GOP EMBASSY OFFICIALS SAY THEY TENTATIVELY DO NOT PLAN TO REQUEST EC FOOD AID IN 1977, BUT NO FINAL DECISION WILL BE TAKEN ON THIS UNTIL JULY.

6. AS NOTED IN REF A, SEVERAL EC COMMISSION OFFICIALS PLAN TO VISIT THE SUB-CONTINENT IN MID-MAY, BUT NO VISIT IS SCHEDULED TO PAKISTAN. THIS WAS BRIEFLY DISCUSSED AT THE MEETING. THE COMMISSION POINTED OUT THAT FORMER COMMISSION VICE PRESIDENT SOAMES HAD PAID A VISIT TO PAKISTAN LAST DECEMBER AND IT WAS APPROPRIATE AT THIS TIME FOR THE COMMISSION TO VISIT OTHER

COUNTRIES IN THE REGION. A GOP EMBASSY OFFICIAL (MINISTER ZAFAR) WAS QUITE RELAXED ON THIS MATTER. HE SAID THAT IN VIEW OF THE GOP'S CURRENT DOMESTIC SITUATION, IT WAS DESIRABLE THAT THE COMMISSION NOT SEND A MISSION TO PAKISTAN AT THIS TIME.

7. COMMENT: NEITHER COMMISSION NOR GOP OFFICIALS WERE PARTICULARLY ENTHUSIASTIC OVER THE MEETING'S RESULTS. AS ONE COMMISSION OFFICIAL PUT IT, "THESE INAUGURAL MEETINGS ALWAYS ARE TERRIBLE, BUT THE MOMENTUM PICKS UP AS SPECIFIC PROPOSALS ARE TAKEN UP." IT IS NOT LIKELY, HOWEVER, THAT THE MEMBER STATES WILL AGREE TO INCREASE SUBSTANTIALLY EC AID TO NON-ASSOCIATED COUNTRIES BECAUSE OF BUDGETARY STRINGENCIES. INSTEAD, THIS AID IS LIKELY TO INCREASE ONLY MODESTLY EACH YEAR. AT THE SAME TIME, THE EC WILL LIKELY EXPAND THE NUMBER OF RECIPIENTS, SO THAT INDIVIDUAL COUNTRY ALLOCATIONS WILL NOT LIKELY EXPAND MARKEDLY. END COMMENT. HINTON

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